

LAW OFFICES
MOYNAHAN, IRVIN & SMITH, P.S.C.
110 NORTH MAIN STREET
NICHOLASVILLE, KENTUCKY 40356
(859) 887-1200
FAX (859) 885-2307

BRUCE E. SMITH
bsmith@mislaw.com

RECEIVED
AUG 21 2006
PUBLIC SERVICE
COMMISSION

August 18, 2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

Re: Water Purchase Agreement
Wilmore-Jessamine South Elkhorn Water District
TFS2006-01073

Dear Ms. O'Donnell:

In response to your letter of August 3, 2006, I will address your staff's questions in numerical paragraphs which correspond to the numbered paragraphs of your letter.

1. Unless funded by a federal or state loan or grant, all of the Water District's extension projects have been constructed by the "developer" of the particular extension project and then donated to the Water District. This paragraph merely reflects the fact that it will be a developer who will bear the cost of furnishing and installing the needed metering equipment for the particular project which gives rise to the Water District's desire to purchase water from Wilmore. In short, "developer" was not intended to refer to "purchaser".

2. The purpose of the connection fee charged by the City of Wilmore and passed through by the Water District to the customer is to fund a restricted account held by Wilmore solely for the purpose of capital improvements to its water system infrastructure. The service provided by Wilmore for this fee is the upgrade and expansion of its water system in the future as needed. Wilmore will incur no costs when a water meter is set, because the Water District will be responsible for that task. The Water District intends to charge a separate fee to the customer for this service.

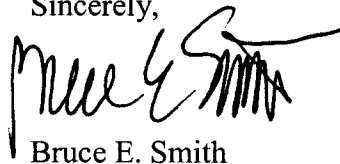
3. The Water District will pass the \$1,000.00 connection fee, now charged by the City of Wilmore to its customers, on to those customers of the Water District, who are supplied with water from the Wilmore system, by collecting this sum from each of said customers at the time they apply for service.

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
August 18, 2006
Page Two

4. The development which provided the impetus for the Water District and Wilmore to discuss the sale and purchase of water and eventually sign an agreement is a combination residential/golf course project which covers 366.04 acres and will have approximately 662 dwellings. However, the area to be served with Wilmore water is any land which the City of Wilmore may annex inside the District's territory which is developed whether it be the aforementioned project or other properties which may come on line prior to the residential/golf course proposal.¹ Consequently, it is impossible to graphically describe the area to be served since the precise area defies prediction.

5. Wilmore was unable to provide any specific calculations or assumptions to support the \$1,000.00 connection fee.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce E. Smith", with a stylized flourish at the end.

Bruce E. Smith

cc: Robert L. Gullette, Jr., Esq.
Mr. David Carlstedt
Mr. John G. Horne

g:\...JSEWD\O'Donnell ltr 81806

¹ This project is being opposed by surrounding property owners and it may be tied up in litigation for several years.